CAPITAL OUTLAY, INVESTMENTS, Etc.

The State Railway.

28. There is first the capital expenditure on Railway. At the end of next year it is expected to come to Rs. 84,44,412. This represents the cost on account of the conversion of the Metre-gauge line into Broad-gauge and includes also the cost of the Edappilli-Vendurutthi link, work on which is still progressing. But it is exclusive of the capital expenditure that was incurred originally in the construction of the Metre-gauge line. Taking the original capital expenditure on the Metre-gauge line and the entire capital that was spent in connection with the conversion and making due allowance for the depreciation that had occurred on the old Metre-gauge line the net capital investment of the State on the Railway at the end of 1114 may be taken to be Rs. 119·04 lakhs. The average annual yield from the Railway in the last three years after setting aside the maintenance and working costs has been Rs. 5·06 lakhs. This gives us a net return of 4·77 per cent on our capital investment on the Shoranur-Cochin Railway, excluding for the time being the expenditure that is being incurred on the Ernakulam-Idappilli construction.

The Cochin Harbour.

29. Taking the Harbour, as the Hon'ble Members are aware, the scheme for its execution was divided from the very first into four stages and the ways and means for financing the last of the four stages was different from what was adopted in finding funds for the first three of its stages. The expenditure that the State had to find towards the cost of the first three stages of the Harbour including the amount paid for the reclamation of 250 acres of the Willingdon Island stood at Rs. 41·43 lakhs. This amount was completely found from the general balances of the State. For the execution of the fourth stage works the State's contribution was fixed at Rs. 62 lakhs. To finance this the Government floated their second loan of Rs. 30 lakhs and also arranged to take from the Government of India an advance of Rs. 37 lakhs. The Government of India loan was to be repaid in 50 annual equated instalments calculated at $3\frac{3}{4}$ per cent interest, the instalments starting from the year following the one in which the last instalment of the loan is taken. The amounts that were received from the Government of India were solely for advancing to the Harbour Authorities in connection with the scheme. The Harbour Authorities are to repay the advance taken from the Cochin Government only 10 years after, the period of repayment running to thirty years from then. The interest on it is at 5 per cent per annum. The Hon'ble Members will note that the loan from the Government of India carries an interest of $3\frac{3}{4}$ per cent, while the

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interest on the advance taken by the Harbour Authorities is 5 per cent.

30. Now immediately from next year onwards provision has to be made for the repayment of the interest and part of the capital to the Government of India. If the Harbour Authorities were repaying from next year onwards the advance they have taken the amount so received could have been diverted for repayment of the Government of India loan. But since that is not possible according to the terms of Agreement, the Government after very mature consideration decided to provide for the repayment of the Government of India loan by making necessary provision under "43-Advances, a. t. Harbour Advances." (Page 168 of the printed Budget). The amount that has to be found for this purpose next year is Rs. 1,02,520 and that is the amount provided in the Budget Estimate of 1114 against this item.

31. Now these advances are only of a temporary nature. They will automatically be wiped off when the repayments from the Harbour Authourities of the advance they have taken from the State starts after 10 years. The difference in the length of time of the repayment by the Harbour Authorities is more than compensated by the higher rate of interest they have to pay and it has been found on verification that the amount received from the Harbour Authorities will be more than ample to wash off the advances that are now proposed to be taken for the repayment of the Government of India loan. The transactions would even leave a net surplus that could be utilised for repayment of the loan of Rs. 30 lakhs raised in the open market and which would fall due during the period 1956—1961.

32. The Hon'ble Members will agree that the arrangements made for the financing of the fourth stage works has thus been such as to cause the least burden to the State tax-payer.

The Shanmukham Road:

33. Another important item involving capital expenditure has been the Shanmukham Road and the other connected Ernakulam Town Improvement Works. The expenditure on this scheme as per the Revised Estimate stands at Rs. 1,16,250 and it is also exhibited under "43-Advances, a. Ernakulam Town Improvement" (Page 168 of the printed Budget). The cost on account of the same next year by which time it is expected the works would be completed is estimated to be about Rs. 10,000. The total cost may thus be taken to be Rs. 1,26,250. Against this, lands opened by this road to the value of Rs. 2,09,250 have been already sold. This means that by the opening of the

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Shanmukham Road the State has gained Rs. 2,09,250 against an expenditure of Rs. 1,26,250. In other words this Road after providing for its entire cost brings to the General Revenues of the State a net cash gain of Rs. 83 000.

Electric Installations, etc.

34. Proceeding to other Capital Works, the Government are financing from their cash surplus the expenditure required for the Electric installations at Nemmara and Chittur. They have also found the expenditure necessary for taking Alwaye water to Mattancheri by the sub-merged pipe line across the backwaters.

35. Besides these, by the end of the next year advances made to the Ernakulam and Trichur Municipalities for Town improvement and other purposes would amount to the extent of Rs. 66,800 and Rs. 6,31,000 respectively.

Navigation Canals and Communications.

36. Funds have also been found for the Capital expenditure account of the Shanmukham and Appangad Canals. Of these, the Shanmukham Canal would connect the Irinjalakkuda Town with the canal and back-waters on the west and give that town the benefits of a through water-way to the Port of Cochin. In connection with the execution of this work detailed arrangements have been made with the Irinjalakkuda Municipality by which the State will receive an adequate return on its capital expenditure. The arrangement is that the capital invested by the Government should be guaranteed interest at 4 per cent. Interest will be met out of the landing charges levied on the canal, any deficit therein being borne by the Municipality provided however the excess collections over 5 per cent shall be divided equally between the Government and the Municipality.

The Chalakkudi Stoneware Works.

37. The capital expenditure by the end of next year on account of the Government Stone-ware Works at Chalakkudi would be Rs. 2,22,232. The balance sheet for the year ending 32nd Karkadagam 1112 is appended to the Budget Estimate at page 173. That gives a detailed account of the assets of the Factory under the various heads, the stock on hand and its corresponding liabilities. On page 175 of the Budget Estimate is given the Manufacturing, Trading and Profit and Loss Account for the last year. The accounts show a loss of Rs. 18,505—6—2 for the year ending Karkadagam 1112. Also there was a fairly large stock of manufactured and partly manufactured articles on hand costing Rs. 43,245—2—0. Since then however the Manager

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of the Stone-ware Works has changed and it is expected that the current year would show much better results than 1112. It is expected that the year will close with at least a small profit of Rs. 320, and in the next year—1114—it is anticipated that the profit would rise to Rs. 1,500.

38. The Stone-ware Works is a pioneer industry started in the State and though I could not say that it has had a happy career I certainly believe that it has more glorious days ahead. A new industry always takes time to learn and establish itself amongst long-standing competitors. That is a necessary handicap which has to be faced. I may most solemnly assure the House that the Government spare no pains to establish the Factory on a financially firm basis.

39. I have now referred to some of the more important of the Capital items of expenditure which the Government are financing.

State Investments.

40. After providing for all these the Government have also invested largely in short-term Fixed Deposits. The total of these at the end of 1113 would come to Rs. 29·94 lakhs and at the end of 1114 after providing for withdrawals to meet capital expenditure next year it would stand at the high figure of Rs. 22·8 lakhs. Over and above this at the end of next year there would also be investments in Government securities to the extent of Rs. 7·24 lakhs. Added to this investment in shares in Companies would come to Rs. 3·38 lakhs.

41. These figures give a clear idea of the very strong financial position the State enjoys. Its 5 per cent and $3\frac{1}{2}$ per cent loans are quoted in the market at premium of Rs. 108—7—0 and Rs. 102—4—0 respectively.

A general review.

42. In conclusion it would be very interesting to note how rapid has been the growth of the State's finances in the last two decades and see what was its relative position twenty years ago. The ordinary income and expenditure as per the Accounts of the year ending 16th of August 1918 just at the end of the Great War stood at

Income	Expenditure
Rs.	Rs.
60,88,231	47,19,113

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The corresponding figures for the year ending 1938 August 16th (as per the Revised Estimate of the current financial year) are

Income	Expenditure
Rs.	Rs.
98,64,400	1,01,34,800

43. Including the income and expenditure under Debt Head transactions as well, the total receipts both ordinary and debt heads together came to Rs. 61,21,709 in 1918 and would come to Rs. 1,35,55,000 in 1938 while the corresponding expenditure for the two years are Rs. 58,50,620 in 1918, Rs. 1,33,33,300 in 1938.

44. This brings to our minds in clear relief the great advance the State has made financially in the last two decades and the extent and volume of its monetary resources at present. With the ordinary or revenue receipts of over a crore of rupees a year and the total ordinary and debt head receipts of over Rs. 1·15 crores a year the State would take a high rank in the group of the larger of the Indian States. There are not many among the latter who have a recurring annual income of over a crore of rupees.

45. Lastly before leaving the State Budget I should solicit the attention of the Hon'ble Members to the financial position of the State for the year 1114. A detailed statement of the assets and liabilities of the State is given at page v of the printed Budget Estimate. On the liability side have been shown the loans received from the public to the extent of one crore and five lakhs of rupees, the advances from the Government of India and the usual Personal Deposit Funds, Suspense account and Remittances. On the assets side have been shown the Capital outlay on Railway, Stone-ware Factory, the Electric Works, Water Supply schemes, etc. Also investments in short-term deposits in banks, in Government securities and in companies have been shown on this side. So also loans and advances repayable to the Government by individuals or public bodies. The net result of the various commitments of the State both on the assets and on the liabilities side is that the assets are expected to rise over the liabilities to the extent of one crore, six lakhs, and ninety thousand rupees by the end of 1114. This is one more satisfactory feature of the State's finances and is another sure indication of its sound position.

The Financial position of the State: its assets and liabilities.

CRANGANUR PRINCIPALITY BUDGET ESTIMATES.

46 Before finishing my speech I should remind the House that besides the State Budget we are also to consider the Budget for the Cranganur Principality.

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